

The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP /

BACHELOR OF COMMERCE

BML 210/ BCM 223:

COMPANY LAW

DATE:

20TH JULY 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

GAME LIMITED

Omondi is a 10% shareholder in Game Ltd, a company designing computer games. He has never in fact been formally appointed to be a director of Game Ltd, but for the past 5 years has regularly attended, and participated fully in, board meetings. The company's constitution specifies that the company will design and sell only computer games.

Recently, Games' board met and agreed to purchase, from Motormart Limited, a fleet of new company vehicles, for a price of Kshs. 1,500,000. Omondi was present at the meeting and spoke strongly in favor of the deal. Omondi owns 25% of the shares in Motormart. Omondi also informed the board that he had been approached by Micro Ltd which wants Game Ltd to supply them with a large quantity of computers and laptops. Other board members argued that the company was prevented by its object clause from entering into such a transaction, but Omondi replied that the deal was too good to miss.

The Board also proposed to alter the articles of Game Ltd to include the following:

- i) Any shareholder who carries on competing business with company business will transfer his shares to the nominee of the directors
- ii) All disputes between the company and the shareholders shall be referred to arbitration.

The following events have occurred:

- a) Game Ltd has just lost a large contract, and now regrets having entered into the contract with Motormart.
- b) Omondi has planned to meet with Micro Limited for signing of the contract on behalf of Game Ltd to supply the computers and laptops.

- c) The company has learnt that Omondi has decided to set up his own company which will be in direct competition with Game Ltd

Required:

- i. In view of Omondi's role, advise the directors of Game Ltd whether they can avoid the contract with Motormart Limited. (10marks)
- ii. Advise the directors of Game Ltd on the restrictions imposed by Company Law upon a company's power to alter its articles of association. (10marks)
- iii. What action can Game limited take against Omondi in respect to the above facts. (5marks)

QUESTION TWO

- a) A Company Secretary is liable for damages for breach of his fiduciary duties. Explain the liability of a company secretary. (3 marks)
- b) Describe six ways through which a person could acquire company membership (6marks)
- c) Explain the difference between shares and stock. (6marks)

QUESTION THREE

In relation to the law relating to meetings under the company law, discuss the rules which govern the following;

- i. Voting by proxy (5marks)
- ii. Annual General Meeting (5marks)
- iii. Rights of an auditor of a company (5marks)

QUESTION FOUR

Write short notes on;

- i. Ordinary resolution (5marks)
- ii. Special resolution (5marks)

iii. Resolution requiring "special notice"

(5marks)

QUESTION FIVE

Explain the procedure to be followed in a members' voluntary winding up. (15 marks)

QUESTION SIX

- a) The principle of corporate personality is an important and fundamental aspect of company law. Discuss this statement. (6 marks)
- b) Explain the exemptions to the principle of corporate veil as outline in the case of Salomon Vs Salomon. (9marks)